*Individual market* has the meaning given the term in section 1304(a)(2) of the Affordable Care Act.

*Initial open enrollment period* means the period during which a qualified individual may enroll in coverage through the Exchange for coverage during the 2014 benefit year.

*Large employer* means, in connection with a group health plan with respect to a calendar year and a plan year, an employer who employed an average of at least 101 employees on business days during the preceding calendar year and who employs at least 1 employee on the first day of the plan year. In the case of plan years beginning before January 1, 2016, a State may elect to define large employer by substituting ''51 employees'' for ''101 employees.''

*Lawfully present* has the meaning given the term in § 152.2.

*Minimum essential coverage* has the meaning given in section 5000A(f) of the Code.

*Navigator* means a private or public entity or individual that is qualified, and licensed, if appropriate, to engage in the activities and meet the standards described in § 155.210.

*Plan year* means a consecutive 12 month period during which a health plan provides coverage for health benefits. A plan year may be a calendar year or otherwise.

*Plain language* has the meaning given to the term in section 1311(e)(3)(B) of the Affordable Care Act.

*Qualified employee* means an individual employed by a qualified employer who has been offered health insurance coverage by such qualified employer through the SHOP.

*Qualified employer* means a small employer that elects to make, at a minimum, all full-time employees of such employer eligible for one or more QHPs in the small group market offered through a SHOP. Beginning in 2017, if a State allows large employers to purchase coverage through the SHOP, the term ''qualified employer'' shall include a large employer that elects to make all full-time employees of such employer eligible for one or more QHPs in the large group market offered through the SHOP.

*Qualified health plan* or *QHP* means a health plan that has in effect a certification that it meets the standards described in subpart C of part 156 issued or recognized by each Exchange through which such plan is offered in accordance with the process described in subpart K of part 155.

*Qualified health plan issuer* or *QHP issuer* means a health insurance issuer that offers a QHP in accordance with a certification from an Exchange.

*Qualified individual* means, with respect to an Exchange, an individual who has been determined eligible to enroll through the Exchange in a QHP in the individual market.

*SHOP* means a Small Business Health Options Program operated by an Exchange through which a qualified employer can provide its employees and their dependents with access to one or more QHPs.

*Small employer* means, in connection with a group health plan with respect to a calendar year and a plan year, an employer who employed an average of at least 1 but not more than 100 employees on business days during the preceding calendar year and who employs at least 1 employee on the first day of the plan year. In the case of plan years beginning before January 1, 2016, a State may elect to define small employer by substituting ''50 employees'' for ''100 employees.''

*Small group market* has the meaning given to the term in section 1304(a)(3) of the Affordable Care Act.

*Special enrollment period* means a period during which a qualified individual or enrollee who experiences certain qualifying events may enroll in, or change enrollment in, a QHP through the Exchange outside of the initial and annual open enrollment periods.

*State* means each of the 50 States and the District of Columbia.

## Subpart B—General Standards Related to the Establishment of an Exchange

### § 155.100 Establishment of a State Exchange.

(a) *General requirements.* Each State may elect to establish an Exchange that facilitates the purchase of health insurance coverage in QHPs and provides for the establishment of a SHOP.

(b) *Eligible Exchange entities.* The Exchange must be a governmental agency or non-profit entity established by a State, consistent with §155.110.

### § 155.105 Approval of a State Exchange.

(a) *State Exchange approval requirement.* Each State Exchange must be approved by HHS by no later than January 1, 2013 to offer QHPs on January 1, 2014, and thereafter required in accordance with §155.106. HHS may consult with other Federal Government agencies in determining whether to approve an Exchange.

(b) *State Exchange approval standards.* HHS will approve the operation of an Exchange established by a State provided that it meets the following standards:

(1) The Exchange is able to carry out the required functions of an Exchange consistent with subparts C, D, E, H, and K of this part;

(2) The Exchange is capable of carrying out the information reporting requirements in accordance with section 36B of the Code;

(3) The entire geographic area of the State is in the service area of an Exchange, or multiple Exchanges consistent with §155.140(b).

(c) *State Exchange approval process.* In order to have its Exchange approved, a State must:

(1) Elect to establish an Exchange by submitting, in a form and manner specified by HHS, an Exchange Blueprint that sets forth how the Exchange meets the standards outlined in paragraph (b) of this section; and

(2) Demonstrate operational readiness to execute its Exchange Blueprint through a readiness assessment conducted by HHS.

(d) *State Exchange approval.* Each Exchange must receive written approval or conditional approval of its Exchange Blueprint and its performance under the operational readiness assessment consistent with paragraph (c) of this section in order to be considered an approved Exchange.

(e) *Significant changes to Exchange Blueprint.* The State must notify HHS in writing before making a significant change to its Exchange Blueprint; no significant change to an Exchange Blueprint may be effective until it is approved by HHS in writing or 60 days after HHS receipt of a completed request. For good cause, HHS may extend the review period by an additional 30 days to a total of 90 days. HHS may deny a request for a significant change to an Exchange Blueprint within the review period.

(f) *HHS operation of an Exchange.* If a State is not an electing State under §155.100(a) or an electing State does not have an approved or conditionally approved Exchange by January 1, 2013, HHS must (directly or through agreement with a not-for-profit entity) establish and operate such Exchange within the State. In the case of a Federally-facilitated Exchange, the requirements in §155.130 and subparts C, D, E, H, and K of this part will apply.

### § 155.106 Election to operate an Exchange after 2014.

(a) *Election to operate an Exchange after 2014.* A State electing to seek approval of its Exchange later than January 1, 2013 must:

(1) Comply with the State Exchange approval requirements and process set forth in §155.105;

(2) Have in effect an approved, or conditionally approved, Exchange Blueprint and operational readiness assessment at least 12 months prior to the Exchange's first effective date of coverage; and

(3) Develop a plan jointly with HHS to facilitate the transition from a Federally-facilitated Exchange to a State Exchange.

(b) *Transition process for State Exchanges that cease operations.* A State that ceases operations of its Exchange after January 1, 2014 must:

(1) Notify HHS that it will no longer operate an Exchange at least 12 months prior to ceasing operations; and

(2) Coordinate with HHS on a transition plan to be developed jointly between HHS and the State.

### § 155.110 Entities eligible to carry out Exchange functions.

(a) *Eligible contracting entities.* The State may elect to authorize an Exchange established by the State to